Operator: Good morning everyone and thank you for waiting. Welcome to BB Seguridade's 2nd Quarter 2017 Earnings Conference Call.

This event is being recorded and all participants will be in a listen-only mode during the company's presentation. After this, there will be a question and answer Session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *02 to reach the operator.

The presentation is available in the Financial Information Presentation Section of BB Seguridade's IR website at www.bbseguridaderi.com.br.

Before proceeding, let me mention that forward-looking statements that may be made during this conference call regarding expectations, growth estimates, projections, future strategies of BB Seguridade are based on management's current expectations, projections of future events and financial trends that may affect the business of the group and do not guarantee future performance, since these projections involve risks and uncertainties that could extrapolate the control of management.

For more information on the Statements of the Company, please check on the MD&A. With us today are Mr. Werner Süffert, BB Seguridade's CFO, and Mr. Rafael Sperendio, Head of Investor Relations.

Please, Mr. Sperendio, you may now go ahead.

[01:49] Rafael Sperendio: Good morning, everyone, and thank you for joining our 2nd Quarter Finance Call. Beginning our presentation on page 3, we have here a brief overview of what happened in the quarter, so the net income was down 12% YoY to R$956 million with a financial results as we can see on the lower hand side here that declined by 22% YoY. And this was already expected, due to the falling in interest rates, we are going to cover it on next page. In non-interest operating results, it fell 8% YoY driven by little commercial performance leaning in Pension, Premium Bonds and Credit Life, but on the other hand when we look at the operating indicators of all the companies, we saw many improvements and I would like to highlight here the improvement that we had in the insurance business mainly in SH1, the Life, Mortgage Life and Rural business, but we also had improvement in the loss ratio for the P&C business as well. In Pension Plans, the net income grew 7.6% thanks to 0.2 p.p decline in the redemption ratio and the 25% increase in the assets under management and lastly our board of directors has approved 1.6 billion distribution of dividends related to the 1st half of 2017 maintaining our practice of paying out 80% of the net income.

On page 4, we have a brief summary of the main variable that affected our financial results, and the mostly forward one on the upper left hand side, the reduction in the average SELIC down from 14.15% in the 2nd quarter last year to 10.93% in the 2nd quarter 2017. We also had some impact coming from the forward yield curve which last year presented a deeper downward move that compared to what one have seen years to date, and it is worth mentioning that in the 2nd quarter this year we even saw net worth move in the longer maturities if it is compared to March, for example. And it implies that the market to market on fixed securities helped the financial results in the 2nd quarter 2016, but did not help that much in the 2nd quarter of 2017. The lower inflation also took some pressure in financial results, provided the lower return on the inflation protected security classified as held to maturity mainly in our Pension Plan business that we have the assets that are the collateral to defined benefit plans, most part of the interest component comes from the inflation protected securities and that's why it had some pressure in the net income of the Pension Plans business as we are going to see later in the presentation. As a consequence, financial results were down 22% YoY, accounting for 26% of the net income, now back to a more normalized level as we are always emphasizing since the company became listed in 2013 that a normalized contribution of the financial results to the net income should be around one quarter.

On page 5, we are going to cover the performance of each business segment from now on, so for SH1 premiums were down 7.7% YoY then dragged by Credit Life which was down 41%, in the DPVAT down 36%, the later worth explain it just to remember the mandatory insurance almost zero margin product that every driver has to pay here in Brazil and the price of this mandatory insurance was down 37%, so the decline was totally in line with these decreasing of the price. On the other hand, Term Life rebounded from the 3% decline that we saw in the 1Q this year to a 3% growth in the second quarter, and in the semester almost flatted YoY. And Rural maintained a good pace growing 17% YoY in the first half so pretty much in line with our estimates.

Moving to page 6, we have the operating performance of the business segment so as I mentioned in the beginning of the presentation the loss ratio came down from 31% in the 2nd quarter last year to 27% in the 2nd quarter 2017 and thanks to the robust performance in the Rural Insurance, it is worth mentioning that we didn't have any major issue related to climate changes like El Niño that we had last year. And the G&A was up from 9.8% in the second quarter to 14% this quarter on the additional provisions for past due premiums which amounted to R$19 million while in the second quarter last year we had a reversal of R$29 million related to the same provision, so very hard comp here. That's why despite the improvement in the loss ratio, the combined ratio deteriorated slightly plus 0.6p.p as compared to the 2nd quarter last year, but year to date the combined ratio keeps improving as compared to the same period last year down from 70.9% to 70.6%.

On next page, we can see that this reduction in the loss ratio helped the underwriting results to grow 10% YoY in the 2Q and 15% year-to-date, so it´s a very good performance in terms of underwriting in SH1 mostly driven by the decrease in the loss ratio, but the 24% drop in the net investment income in the additional provision for past due premiums that impacted G&A, these two effects drove the net income down 3% YoY in the 2nd quarter, but anyway year-to-date the net income remains flat despite the lower financial results.

On page number 8, about the P&C segment, so premiums written were down 5% in the 2nd quarter YoY, but the segment specifically soared reminding that the strategy we have been adopting, we have been much more selective in terms of the risk that we are accepting in property overall, but mainly in Auto insurance and for sure that it hasn't impacted on sales but on the flip side it brings some improvement in the loss ratio as we can see on next page, the loss ratio reached the peak in the 4th quarter last year and has been falling quarterly, in year-to-date it is 260 bps now already and these reduction in the loss ratio is helping the combined ratio which is a downward trend as well approaching again the level of 100%.

On page 10, we can see that considering these improvements net income rebounded from a net loss in the last quarter and reached 61 million in the 2nd quarter this year.

On Pension plans, page 11 here, contributions reached R$ 9 billion in the 2nd quarter 2017, now 35% YoY, but it is worth mentioning here that we have harder comparable as compared to the other players, despite the fall in contributions our market share was likely above one third which is a fair market share and it is even higher than the one that we have in terms of assets under management, I mean that even with contributions falling we have been capturing a large portion of the inflows than the one that we had in terms of AuM so we keep improving our market share in AuM. Redemption ratio came down from 8.4% to 8.2% and assets under management grew 25% over the last 12 months. Revenues with management fee increased 21% and helped the net income to grow 8% YoY despite the weaker trends for financial results due to lower inflation as I explained on the page number 4. The Return on Equity increased from 39% to 40.1% on the quarterly basis and from 37% to 41% when we look at the year-to-date figure, so still a pretty good performance in terms of returns and growth in net income for the Pension segment.

On page 12, in terms of Premium Bonds Collection were down 39% YoY driven by weaker sales performance being in the single payment bonds which are the one that has the higher average ticket. So that in 2nd quarter I would say, we have been seen some improvement, the performance in June was pretty good, almost 40% up as compared to the performance year-to-date May, so we have been seen some improvement, for July and for August the performance was pretty much the same and we believe that we are going to see some rebound performance of these segment throughout the second half this year. Financial result dropped 53% YoY as expected due to the falling in the interest rate and the net interest margin came down 230 bps and this is essentially spread driven business the net income came down 56% in the 2nd quarter, 38% year-to-date, pretty much in line with the decline in the financial results.

On page 13, we have our Brokers so as result of the soft sales performance brokerage revenues were down 17% in the 2nd quarter YoY driven mainly by the performance in Pensions, Credit Life and Premium Bonds and had a direct impact on net income which came down 18% YoY.

And finally to wrap up the presentation we have our accountability review for 2017 guidance, so year-to-date net income dropped by 4.7% YoY compared to the range of the guidance of growth from 1% to 5%. And when we published the guidance in the beginning of this year, going back to February, we were already expecting a tough first half, but with a gradual convergence to the growth range of 1% to 5% throughout the second half, this was totally in line with the expected gradual recovery of the Brazilian economy. But the main point was that the level of the uncertainty regarding the basis of this recovery in the second half has increased in the first half this year. So financial results are still under pressure and the expected average interest rate for 2017 has been decreasing since we published the guidance for 2017 and based on all these changes in addition to the weaker than expected sales performance in the first half and the reduction in the ownership at IRB after listing last week which was not expected in our budgets so we are going to have less Equity income coming from IRB from now on, we’ve decided to revise the estimates for net income growth in 2017 to a -5% to -1%. Of course that we remain committed to have a second half much better than the first half by deploying some initiative that we can have some control like the commercial performance as an example. In the first half, we tested an incentive program based on a variable compensation to the distribution network in order to create some incentives to them to sell insurance products. And to make it clear, this variable compensations was not monetary, it was based on points, from the loyalty program Livelo, and these loyalty points, they can be used to pay like, energy bills, credit card bills, and etc., not direct related to money, but indirect. So in the first half we tested this model, just to realize how sensitive the distribution network is to these incentives, and now, in the second half, we are going to put more emphasis in this program in order to maximize the commercial performance, so we are going to lower the bar now so we have some more, we can have a better sense of how sensitive the distribution network is and that's why we feel confident on recovering the second half, and it is worth mentioning that this year we are not going to have the banks strike as the last year agreement, we will last until the end of this year so this is going to have good impact on the sales performance in the second half as well. So that is all what I want to highlight and now we can move to the Q&A Session.

[16:58] Operator: Ladies and gentlemen, we will now begin the Question & Answer Session. If you have a question, please press *9 on your touch tone phone now. To withdraw the question, please press *9 again. Please hold on while we collect the questions.

Our first question comes from Guilherme Costa, from Itaú BBA.

[17:29] Guilherme Costa - Itaú BBA: Good morning, guys and thank you for the opportunity. My question is about your perception of 2018. I know that you will not provide any guidance by now, but could you indicate what are the products you imagine will show the highest growth in 2018? How do you plan to deal with the even lower average monetary policy rate? And could you also give us an indication of how much do you believe the bottom line could expand in a normalized scenario of stable monetary policy rate, some GDP expansion and controlled inflation? Thank you.

[18:12] Suffert: Thank you for the question. First of all, I will emphasize that we don't have already the guidance for 2018, but we can talk a little bit about the trends that we can see and of course, as you mentioned, the SELIC rate will continue to drop throughout all the year so this new level of interest rate in Brazil, we believe that is good for insurance operations. So as a trend we will have better scenario for all the products that we have to sell to our clients, so with lower unemployment rate and in a better economic environment, this will provide a kind of scenario that will help the growth for BB Seguridade products. So of course the first impact that we have is the reduction in the SELIC rate so the financial results will drop and that's the trend we are looking throughout 2017 and it will continue next year, so 2018 will have an average SELIC rate that will be lower than the one we have in 2017. But on the other hand, we will have a better commercial performance driven by this better scenario that we will have and also some new initiatives that we have in place in all our companies to improve the operational side of the performance. It is important to mention that the operational performance is improving so our operational results increased 0.5% year-to-date, so this is important to emphasize, and our goal is to continue this trend and with higher top line growth this will help us moving this, increasing this number even further. So this is our goal, the trends, and that is important to mention that our main goal is to build the kind of operation that will increase the results in the long term so our focus is to have a recurrence of our results being bigger year over year, so this of course we are in the middle of the strongest economic crisis in Brazil, but after this moment we will have a better scenario for all our products and we are quite confident that we will be able to improve the results of our operations.

[21:07] Guilherme Costa - Itaú BBA: OK, perfect, very clear. Thank you Werner.

[21:14] Operator: Ladies and Gentlemen, as a reminder, if you would like to post a question, please press *9.

(…)

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(…)

Our next question comes from Thiago Kapulskis from BTG Pactual

[22:28] Thiago Kapulskis - BTG Pactual: Good morning, everyone. Thanks for the opportunity to ask. I have a couple of questions. So the first one is related to the incentives, right, because I remember that in Q1 sales on Brasilprev were quite strong, right? And some sales on SH1, specially Life Insurance was not coming so fast in terms of growth. But now we see Brasilprev sales coming quite weak this time around and some recovering on Life, right, on Life Insurance. So my question would be how should we look going forward, right? Because you guys mentioned the incentives that have changed, right? So how should we see? Should we see a recovery on Brasilprev or you expect that not to happen? So that would be my first question. And my second question is in terms of capitalization, which we still see an important shrinking in terms of sales, right? Should we see more of that and why? I understand that there might be more in terms of products, right? Because of the SELIC going down, but I would like to hear a little bit more about that. Thank you.

[24:10] Suffert: Thank you, Thiago, for your question. First, the first questions, regarding the incentives that we have in Banco do Brasil channel, it is important to emphasize that throughout the first half of this year, we changed a little bit the metrics that we have and we split this initiative in two, so we have now the Brasilprev and Brasilcap, so our Pension plan business and Premium Bonds business in one metric and insurance, they are in the other metric. So doing this and we did this during March, it was March 2017, this change rebalanced the performance from Brasilprev and SH1, which was completely different from the one we had in our budgets, so it was important to change this and rebalance through the, throughout the first half of this year and now we believe that we are in the right page so, of course, comparing with 2016, the performance of Brasilprev was lower than the Premium Bonds companies were lower than the one we had last year, but we reached in 2016 our historical, of all time high of our Premium performance, our contribution's performance, so we reached more than 50% of the net inflow of the market and close to 50% of the contributions so it is not our fair share of the market, it is important to mention that we have strong players in this segment and all these players they are trying to find way to improve their contributions in the net inflow also, so now we are leaders in the segment in growing in our reserves more than 25% year over year and this is our goal to continue this growth trends with strong numbers coming from all the business. The Pension plan is improving quite well and with these changes that we implemented during the first half of 2017, insurance also with a very good performance. So this was the change that we have, not a huge change, but they were important to rebalance the growth coming from all the business that we have and as a consequence to have a more recurrence coming from all the business together. So this is the explanation about this change.

[27:18] Thiago Kapulskis - BTG Pactual: OK, OK, very good and what about the capitalization? Yes, sorry.

[27:24] Suffert: About Premium Bonds, capitalization, we have also, last year some segments , they were not selling the products because we don't have specializes or products that we will be able to deliver, to have a delivery for this segment. So, for example, Estilo clients, the upper part of Banco do Brasil retail banking clients, they now, they have products to buy until last year they were buying products from the retail banking inside of our company and also products to smaller medium companies that we have now in our portfolio, we launched this in 2017 and they were using products from the individual plans. So with this approach now we are having better performance, the number continues very good and comparing with May and all the months from 2017, it is increasing very well and the trend for Premium Bonds is a very strong performance throughout 2017. So this will reduce the gap in the budget that we have and of course we will build contributions that will be enough to increase the financial results of this business not in terms of spread, because the spread is decreasing that this trend when interest rate is reducing, but with higher provisions we will be able to capture a more results in Brasilcap and also it is important to mention that this business is one that provides a lot of commissions that flows through the broker. So we will have positive trends also in the broker level with a growth coming from premium bonds company Brasilcap.

[29:38] Thiago Kapulskis - BTG Pactual: That is very clear. Let me just do a follow up, taking advantage, you mentioned the broker. So the broker we should also expect better commissions going forward and not only in capitalization but in other lines as well?

[29:55] Suffert: Yes, Thiago. This is the trends with higher premiums improving SH1, SH2 and mainly also in Brasilcap and Brasilprev, these commissions will continue to increase in the broker level and these are the trends for 2017 and this is the trend that we are trying to push and to remain the main trends for 2018. So our goal is to improve this top line growth that will be very important to improve the results and our net income for 2018 so this is the trends and we are working very hard to increase this as much as possible and as soon as possible.

[30:46] Thiago Kapulskis - BTG Pactual: That's very clear. Thank you very much for the answers.

[30:52] Operator: Ladies and Gentlemen, as a reminder, if you would like to pose a question, please press *9.

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This concludes today's Question and Answer Session. I would like to invite Mr. Rafael Sperendio to proceed with his closing statement. Please, Mr. Sperendio, go ahead.

[33:24] Operator: With this, we conclude the BB Seguridade's conference call for today. As a reminder, the material used in this conference call is available on the BB Seguridade investor relations website. Thank you very much for your participation, have a nice day. You may now disconnect.